NINTH REPORT

PUBLIC ACCOUNTS COMMITTEE

(1980-81)

(SEVENTH LOK SABHA)

FIVE YEAR RECURRING DEPOSIT ACCOUNTS

MINISTRY OF COMMUNICATIONS

(P & T BOARD)

[Action taken by Government on 112th Report (Sixth Lok Sabha)]

Presented in Lok Sabha on
Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

November, 1980 Kartika, 1902 (S)

Price : Rs. 1·80

CORRIGENDA TO NINTH REPORT OF PUBLIC ACCOUNTS COMMITTEE (7TH LOK SABHA).

Page	Para	Line	For	Read
3	1.6	21	Delete the word	"be"
4	1.8	bottom	Void	avoid
5	Chapter II	2	Recommenda-tion	Recommenda-tions
-	-do-	5	disealt	dealt
9	-	11	quarterly.	quarterly,
21	-	2 (from bottom)	Officers	Offices
23	-	19	thereof recover	thereof to recover
29	-	18	saving	savings

CONTENTS

		PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1980-81)		(iii)
INTRODUCTION		(v)
CHAPTER I	Report	1
CHAPTER II	Recommendations and observations that have been accepted by Government	5
CHAPTER III	Recommendations and observations which the Committee do not desire to pursue in view of the replies received from Government	26
CHAPTER IV	Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration	27
CHAPTER V	Recommendations and observations in respect of which Government have furnished interim replies	30
APPENDIX	Consolidated statement of Recommendations and observations	32

PUBLIC ACCOUNTS COMMITTEE
(1980-81)

CHAIRMAN

Shri Chandrajit Yadav

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Subhash Chandra Bose Alluri
4. Shri Tridib Chaudhuri
5. Shri K. P. Singh Deo
6. Shri V. N. Gadgil
7. Shri Ashok Gehlot
8. Shri Sunil Maitra
9. Shri Gargi Shankar Mishra
10. Shri M. V. Chandrashekara Murthy
11. Shri Ahmed Mohammed Patel
12. Shri Hari Krishna Shastri
13. Shri Satish Prasad Singh
14. Shri Jagdish Tytler
15. Shri K. P. Unnikrishnan

Rajya Sabha

16. Smt. Purabi Mukhopadhyay
17. Shri N. K. P. Salve
18. Shri Tirath Ram Amla
19. Smt. Maimoona Sultan
20. Shri Patitpaban Pradhan
21. Prof. Rasheeduddin Khan
22. Shri Indradeep Sinha

Secretariat

Shri H. G. Paranjpe—*Joint Secretary.*

Shri D. C. Pande—*Chief Financial Committee Officer.*

Shri T. R. Ghai—*Senior Financial Committee Officer.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Ninth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Hundred and Twelfth Report (Sixth Lok Sabha) relating to Ministry of Communications on Overpayments made on five year recurring deposit accounts. The 112th Report dealt with a case wherein due to confusion and delay in the issue of various notifications, particularly the ones modifying rule 9 of the Post Office (Recurring Deposits) Rules 1970, overpayments to the extent of Rs. 28 lakhs had been made to the depositors. In this Action Taken Report, the Committee while commenting upon the delay of 2½ years in the simplification of the rules relating to the Small Savings Schemes has emphasised that these rules be simplified without further delay so as to avoid recurrence of such costly lapses in future.

2. On 20 August, 1980, the following 'Action Taken Sub-Committee' was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Public Accounts Committee in their earlier Reports:

1. Shri Chandrajit Yadav—*Chairman*
2. Shri K. P. Unnikrishnan
3. Shri K. P. Singh Deo
4. Shri V. N. Gadgil
5. Shri Satish Agarwal
6. Shri N. K. P. Salve

Members

3. The Action Taken Sub-Committee of the Public Accounts Committee (1980-81) considered and adopted the Report at their sitting held on 19 September, 1980. The Report was finally adopted by the Public Accounts Committee (1980-81) on 17 October, 1980.

4. For reference, facility and convenience, the recommendations and observations of the Committee have been printed in thick type in the body of the Report, and have also been reproduced in a consolidated form in the Appendix to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;
October 17, 1980
Asvina 25, 1902 (*S*).

CHANDRAJIT YADAV,
Chairman,
Public Accounts Committee.

REPORT

CHAPTER—I

1.1. This Report of the Committee deals with the action taken by Government on the recommendations and observations of the Committee contained in their 112th Report (Sixth Lok Sabha) presented to the Lok Sabha on 26 March, 1979 on paragraph 26 of the Report of the Comptroller and Auditor General of India for the year 1976-77, Union Government (Posts and Telegraphs) relating to overpayments made on five-year Recurring Deposit Accounts.

1.2. Action Taken Notes in respect of all the 21 recommendations contained in the Report have been received from the Government and these have been categorised as follows:

(i) *Recommendations and observations that have been accepted by Government*:

S. Nos. 1—6, 8—12, 14, 15-16, 17, 18, 19 and 20.

(ii) *Recommendations and observations which the Committee do not desire to pursue in view of the replies received from Government*:

NIL

(iii) *Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration*:

S. Nos: 7 and 21.

(iv) *Recommendations and observations in respect of which Government have furnished interim replies*:

S. No. 13.

1.3. The Committee desire that final reply to recommendation at S. No. 13 (Para 1.96) in respect of which an interim reply has been furnished should be submitted to them, duly vetted by Audit, without delay.

1.4. The Committee will now deal with the action taken by Government on their following recommendations.

Need for simplification of rules relating to small savings schemes (Paragraphs 1.90 and 1.104—S. Nos. 7 & 21).

1.5. Commenting on the necessity of making a comparative study of the small savings schemes of the Ministry of Finance including the Post Office (Recurring Deposits) Schemes and the Schemes of the commercial banks for the mobilisation of savings and to suggest changes that might be called for with the avowed object of simplification of rules in regard to the former, the Committee, in paragraphs 1.90 and 1.104, had observed as under:

"1.90. The Committee have been given to understand that the Indian Banks Association has issued the ground rules for the banks and has started issuing standard tables for maturity values on certain deposits to be allowed by the banks. The Ministry of Finance have asked the Association to send them regularly copies of their standard tables etc. They hope that this would be fully utilised by the Ministry in coming to a proper and timely decision on the changes taking place in the banking market for the benefit of their small savings schemes. They further note that an Expert Group was set up in May 1978, among other things, to make a comparative study of the small savings schemes and the schemes of the commercial banks for the mobilisation of savings and to suggest changes that might be called for in regard to the former. The Study Group is stated to have since submitted its interim report in which it has, *inter alia* stated that the present multiplicity of rules and provisions which regulate various small savings is not conducive to efficient customer service and that the rules and provisions should be uniform, easy to understand and simple to operate' especially in view of the need to secure wider coverage in the rural areas and unorganised sectors. The final report of the Study Group on these aspects is expected soon. The Committee would like to know the final recommendations of the Study Group and the conclusive action taken thereon by Government."

"1.104. The Committee note that learning from the past experience, the Ministry of Finance has undertaken in coordination with the Reserve Bank of India, an extensive exercise with a view to consider how best the Post Office (Recurring Deposits) Rules could be simplified which had, indeed, become quite voluminous and difficult to follow in the process of making them elaborate, so as to eliminate need for detailed interest and other calculations

on the part of post offices. The Committee further note that the officer of the Reserve Bank of India has since submitted his report on simplification of the rules on Small Savings Schemes. He is stated to have suggested unification and consolidation of the rules relating to general aspects which are common to the various schemes and also revision and simplification of the rules relating to the individual schemes. The Committee expect that in the light of the recommendations made in this report and the final report of the Study Group set up by the Ministry of Finance in May 1978 to make a comparative study of the Small Savings Schemes and the schemes of the commercial banks (para 1.18), discussions with the DGP&T and the Ministry of Law etc. over the scope for simplification of the rules must have been completed. Since the Government itself has shown its anxiety to complete this task expeditiously, the Committee hope that the process of actual simplification of each scheme must have been set in motion by now."

1.6. In their replies dated 5 December, 1979, the Ministry of Finance (Department of Economic Affairs) have stated as under:

"1.90. (S. No. 7) In its final Report, the Export Group has reiterated that the rules and provisions of the small savings schemes should be uniform, easy to understand and simple to operate. The Group has recommended *vide* extract of para 24 (given below) of the Expert Group's final report that a separate exercise may be undertaken in this regard, taking into account the modifications proposed by it for the schemes. Further action in this regard is indicated against item No. 21 below."

'24. The present multiplicity of rules and provisions which regulate various small savings schemes is not conducive to efficient customer service. We feel that the rules and provisions for the schemes suggested by us should be uniform, easy to understand and simple to operate. This will be all the more necessary when with the proposed thrust in rural areas and in the unorganised sectors, the scale of operation increases manifold. We recommend a separate exercise to be undertaken in this regard taking into account the modifications be proposed by us.

1.104. (S. No. 21) The Reserve Bank of India who were requested to suggest a suitable officer from their establishment for taking up the work of simplification of rules relating

to small savings schemes, on a deputation basis, suggested (5-6-1979) that the State Bank of India may be approached in this regard. Accordingly, the matter was taken up (22-6-1979) with the State Bank of India, who have since forwarded bio-data of some of their officers for being considered for selection for this assignment. The matter is under consideration in the Ministry of Finance. Every effort will be made to appoint a suitable officer for this assignment and complete the work as early as possible."

1.7. In their further communication dated 18 August, 1980, the Ministry of Finance, *inter-alia*, stated:

"An officer of the State Bank of India has since joined the Ministry on 2-5-1980 as Officer on Special Duty and he has started the work relating to simplification of rules. Every effort will be made to complete the work as early as possible."

1.8. The Committee are constrained to observe that there has been avoidable delay in completing the task of simplification of rules relating to small savings schemes. To begin with, the Reserve Bank of India was approached by the Ministry of Finance in February, 1978 to recommend a suitable officer with banking expertise for undertaking the review of rules relating to these schemes. The officer whose services were made available by the Reserve Bank of India in May, 1978 had, in association with an official of the Ministry of Finance, in his report, referred to the multiplicity of the rules and observed that it was not only time-consuming but also cumbersome for the post office counter staff to refer to these rules and that there was every likelihood of misinterpretation and misapplication of rules in the day-to-day work. He had suggested unification and consolidation of the rules relating to general aspects which were common to the various schemes and also revision and simplification of the rules relating to the individual schemes. Thereafter at the suggestion of the Reserve Bank, it was only in June, 1979, that the Ministry of Finance approached the State Bank of India for suggesting a suitable officer for taking up the work of simplification of rules relating to these schemes. It has been stated that an officer of the State Bank of India joined the Ministry of Finance on 2 May, 1980 and has started the work of simplification of rules. The Committee note that more than two and half years have elapsed since the matter was initiated in February, 1978, but nothing tangible has come out so far. Now that an officer of the State Bank of India has been appointed on special duty, the Committee would like that the work of simplification of these rules is completed without further loss of time so as to avoid recurrence of such costly lapses in future.

CHAPTER II

RECOMMENDATION AND OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

In the preceding paragraphs. the committee have dealt with a case which is a glaring example of official apathy, inefficiency on the part of the supervisory officers, both in the Ministry of Finance and the Ministry of Communications (DGP&T). This case illustrates how a small lacuna and negligence at the initial stage in dealing with matters having financial implications could cause loss of more than Rs. 28 lakhs to the Exchequer.

[S. No. 1 (Para 1.84) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been noted.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. F-2/23-77-NS, dated 14-11-79]

This is the general observation made by the Committee. Action taken in the matter is indicated in the succeeding paragraphs.

[Ministry of Communications (P&T Board) O.M. No. 52-1/79-SB/III, dated 31-10-1979]

Recommendation

The five-year Post Office (Recurring Deposits) scheme was introduced by the Ministry of Finance in April, 1970 to be operated by the Director General, Post & Telegraphs through different post offices in the country under the Post Office (Reurring Deposits) Rules, 1970 for the avowed object of mobilising additional savings offices in the country under the Post Office (Recurring Deposits)

banks, by providing easy approachable infra-structure in the post offices so that wage earner, the small and marginal saver could also be motivated to save with convenience and at remunerative terms.

[S. No. 2 (para 1.85) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been carefully noted.

[Ministry of Finance (Dept. of Economic Affairs) O.M. No. F-2/23-77-NS, dated 14-11-79]

Recommendation

Rule No. 9 of the Post Office (Recurring Deposit) Rule, 1970, prescribed the maturity value of these accounts, indicating the amounts payable, inclusive of interest, at the end of 5 years. As per these rules, in the case of an account of Rs. 10 denomination, the maturity value was fixed at Rs. 700/-. The Committee find that Rule 9 was amended from time to time and the maturity value of Rs. 10 denomination account was raised to Rs. 710 with effect from 15-1-71, consequent upon the general increase in bank interest rates announced by the Reserve Bank of India from 11-1-71; to Rs. 720 from 1-4-74 to coincide with the increase in bank rate from the very date; to Rs. 750 from 23-4-74 as a result of further increase in bank rate effective from 23-7-74 and finally to Rs. 760 from 1-10-76 in order to come in line with the interest rate structure being followed by the Scheduled Commercial banks at that time. The Committee also note that though the notifications effecting changes in rates of interest issued by the Reserve Bank of India did not apply to small savings schemes, the general policy followed was that whenever there was a change in the general interest rate structure in the country and, if that was significant, the rates of interest for small savings schemes were also changed to synchronise with those notified by the Reserve Bank of India. The Committee further ovserve that while the small savings schemes are not linked up *ipso facto* with similar schemes of commercial banks, yet Government have admitted that there is definitely a degree of co-relation between the two resulting from the fact that both benefit from the interest rate structure notified by the Reserve Bank. The last enhancement in the maturity value of the 5-year recurring deposit account of Rs. 10 denomination from

Rs. 750 to Rs. 760 in October, 1976 which is a case dealt with in the Audit para was thus a direct consequence of this relationship.

[S. No. 3 (para 1.86) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been noted.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. F-2/23-77-NS dated 14-11-79]

Recommendation

The Committee, regret to find that whereas changes made in the rates of interest for small savings schemes generally corresponded with the notifications issued by the Reserve Bank in this regard from time to time, the same pattern had not been followed by the commercial banks, especially in the matter of the actual maturity value of the recurring deposit schemes operated by them.

[S. No. 4 (Para 1.87) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been noted. The observations have also been brought to the notice of the Banking Division of this Department (copy of letter addressed to Shri Baldev Singh, Jt. Secretary, Banking Division is enclosed).

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. F-2/23-77-NS dated 14-11-79]

Copy of D.O. No. 2/23/77-NS dated 28th July, 1979 from Shri A. C. Tiwari, Jt. Secy., (Budget), Ministry of Finance, Deptt. of Economic Affairs, New Delhi addressed to Shri Baldev Singh Jt. Secy., Banking Division, Department of Economic Affairs.

I send herewith a copy of the 112th Report of the Public Accounts Committee 1978-79 dealing with Paragraph 26 of the Report of the C&AG for the Year 1976-77 Union Government (Posts and Telegraphs) regarding certain over-payments made on Post Office 5-Year Recurring Deposit Accounts.

I would invite your attention to Para 1.87 of the Report where the Committee have stated that they regret to find that whereas

changes made in the rates of the interest for small savings schemes generally corresponded with the notifications issued by the RBI in this regard from time to time, the same pattern had not been followed by the commercial banks, especially in the matter of the actual maturity value of the recurring deposits schemes operated by them. The Committee have apparently in view the practice which was previously being followed by commercial banks, of compounding interest at shorter intervals than annual, resulting in higher effective rate of interest as compared to the nominal rate notified by the Reserve Bank. In this connection reference is invited to Paragraph 1.17 of the Report. It is requested that Banking Division may kindly consider the Committee's recommendations in Paragraph 1.87 of the Report and take such action as may be found necessary.

In paragraph 1.89 of the Report, the Committee have desired that the Ministry of Finance should evolve a fool proof system for keeping a constant watch over the day-to-day developments in the matter of rates of interest and maturity values followed by commercial banks. I enclose copies of the letters we have written in this connection to the Indian Banks Association, Bombay and all public sector banks requesting them to send us the publications brought out by them on their deposit schemes from time to time. I shall be grateful if you would kindly use your good offices and assist us in getting these publications regularly from these institutions.

Recommendation

The Reserve Bank of India by their notification dated 22-7-74 had made further changes in the interest rate structure for various types of accounts accepted or renewed by scheduled commercial banks. No doubt, the Ministry of Finance followed suit and took the interest rate structure announced by the Reserve Bank Notification dated 22-7-74 at its face value and revised the maturity value of the Post Office (Recurring Deposit) Accounts raising it to Rs. 750 from 23-7-1974 by strictly applying the rate of interest on annual compounding basis as was the general intention behind the said Notification of the Reserve Bank. They, however, failed to take notice of the advantage derived by the commercial Banks of the situation arising out of the said notification and some of the banks fixed the maturity value of their recurring deposit accounts at Rs. 759.50 or Rs. 760 from 23-7-1974 itself by compounding the interest at more frequent intervals than annual, even monthly, with the result that

their effective rate of interest was higher than the normal annual rate of interest notified by the Reserve Bank.

[S. No. 5 (Para 1.88) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been carefully noted.

[Ministry of Finance (Deptt. of Eco. Affairs) O.M. No. F-2/23/77/NS dated 14-11-79]

Recommendation

As the Ministry of Finance had the basic reservation in accepting the procedure of compound interest monthly or quarterly. Government chose not to follow this practice although suggestions were received from time to time by them that interest rate should be paid on monthly basis on small savings also. For example, such suggestion was made at the National Savings Central Advisory Board meeting held in May, 1974. Later at the internal meeting of the Deputy Minister in the Ministry of Finance incharge of small savings with the officials of the Ministry of Finance and at the discussion with the Finance Ministers of States at Zonal Conferences held during August-Sept., 1975, suggestions were made for giving a higher return to the investors of small savings to bring it at par with the maturity value of similar schemes of commercial bank *i.e.* Rs. 760. It was in the meeting of the Deputy Minister with the officials of the Ministry and the National Savings Commissioner on 14th April, 1976 that the general issue of giving a slightly higher rate of interest on small savings as compared to bank interest rates came up and the Deputy Minister desired that the *pros and cons* of this suggestion might be examined and a note put up to her. The Ministry of Finance considered this proposal and called for data from some public sector banks. After examining the issue further, they submitted a policy note to the Deputy Minister on 4-8-1976 which was approved by her the same day. Thus the final decision to increase the maturity value of 5-year recurring deposit account of Rs. 10 denomination to Rs. 760 in order to bring it at par with the maturity values of recurring deposit schemes of commercial banks was taken at the Deputy Minister's level as late as in August, 1976. A Notification was thereafter issued on 29-9-1976 making the enhanced maturity value of similar schemes of commercial banks *i.e.* Rs. 760. conclude that a decision which ought to have been taken in July/ August 1974, took as many as 26 months to materialise. They feel

that taking a lesson from this case and without linking *ipso facto* the small savings schemes of the Government of India with those of the commercial banks operated under the directions of the Reserve Bank, the Ministry of Finance should evolve a foolproof system of keeping a constant watch over the day to day developments in the matter of rates of interest and matter of value followed by commercial banks.

[Sl. No. 6 (Para 1.89) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been carefully noted. It may be mentioned that the Indian Banks Association has already been requested to send us regularly the guidelines, maturity tables etc. issued by them to the commercial banks from time to time. The State Bank of India and the nationalised banks have also been requested to send us their literature on various deposit schemes from time to time. Government will take into account the practice followed by various banks and other relevant factors and take an overall view while considering proposals for fixing or modifying the rates of interest or maturity values under the small savings schemes of Government. (Copies of letter addressed to the Indian Banks Association and the public sector banks are enclosed).

[Ministry of Finance (Deptt. of Eco. Affairs) O.M. No. F-2/23/77/NS dated 14-11-79]

Copy of letter No. F. 2|23|77-NS dated the 26th July, 1979 from Shri V. Lakshminarayanan, Director (Budget), Ministry of Finance, Deptt. of Economic Affairs New Delhi addressed to the Secretary Indian Banks Association, Blocks 3, Stadium House, Veer Nariman Road, Bombay—400020.

I am directed to refer to your brochure "Bank's Voluntry Self-discipline in Deposit Mobilisation", a copy of which you had kindly made available to Jt. Secy. (Budget) of this Ministry in September 1978 for reference. It is seen that the brochure was published on 1st July, 1977 and the various tables given therein are based on the interest rates prevalent at that time. As a result of the changes made subsequently in the interest rates, effective from 1-3-78, the tables would have undergone some modifications. I am accordingly to request that revised maturity tables now in force for various types of deposits may kindly be furnished to this Ministry.

I am also to request that in case a revised edition of the above publication has been brought out, a copy thereof may kindly be

supplied to this Ministry for reference. As already requested in our letter of even number dated 3-10-78, this Ministry may also please be included in your Mailing list for supply of copies of your publications of this type from time to time.

No. F2|23|77-NS

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Economic Affairs)

New Delhi, the 30th July, 1979

To

The General Managers of all Public Sector, Banks (Including State Bank of India).

Sir,

I am directed to state that the Public Accounts Committee (1978-79) (Sixth Lok Sabha), in Paragraph 1.89 of their 112th Report, have desired that a system should be evolved of keeping a constant watch over the day-to-day developments in the matter of rates of interest and maturity values of Recurring Deposit Scheme and other savings schemes followed by commercial banks from time to time so that these may be taken into consideration in determining the rates of interest, maturity values etc. of various Small Savings Schemes introduced by the Government of India.

I am accordingly to request that one set of your current publications *i.e.* pamphlets, brochures etc. indicating the maturity values, interest rates, periods etc. of the various deposit schemes of your bank may kindly be furnished to this Ministry for reference. Further, as and when any changes are made in the rate of interest, maturity values, etc., the same may also be kindly intimated to this Ministry immediately thereafter. I am also to request that the undersigned may kindly be included in your mailing list for supply of the publicity literature on the Bank's Deposit|Savings Schemes.

Yours faithfully,

Sd|-

(V. LAKSHMINARAYANAN)

Director (Budget).

Recommendation

Another disgusting aspect of the case is that there was utter confusion in the issue of various notifications, particularly the ones modifying Rule 9 of the Post Office (Recurring Deposit) Rules, 1970 pertaining to the amounts payable inclusive of interest at the end of the maturity period. The first Amendment to this rule was issued on 15th January, 1971, which reads as follows:—

> "Rule 9 shall be renumbered as sub-rule (1) of that rule and in sub-rule (1) as so renumbered, for the letters and figures Rs. 350 the letters and figures 'Rs. 355' shall be substituted."

After sub-rule (1) as so renumbered another sub-rule (2) was added indicating the amounts payable inclusive of interest at the end of 5 years on accounts opened before 15 January, 1971. However, the Committee find that the notification issued on 30-3-1974 which further enhanced the maturity value of 5 year recurring deposit account from Rs. 335 to Rs. 360 substituted the existing Rule 9 of the Post office (Recurring Deposits) Rules, 1970. A further Notification issued on 29th July, 1974 raising the maturity value to Rs. 375 (effective from 23rd July, 1975) again substituted the existing Rule 9 thus completely ignoring the amendment of 15-1-1971. The matters did not end there. The next Notification of 8 July 1975 amending the Post Office (Recurring Deposit) Rule, 1970, purported to add another sub-rule (3) after sub-rule (2) of Rule 9 thereof. The fact that sub-rule (1) and (2) had already been replaced by the Notification dated 30th March 1974 was completely over-looked creating unnecessary confuston. The very next day thereafter *i.e.*, on 9th July, 1975 yet another notification was issued in pursuance of Rule 9 notifying *inter-alia* the amount payable on accounts opened before 23 July 1974 but maturing on or after Ist April, 1975.

[Sl. No. 8 (Para 1.91) of Appendix VI to 112th Report on PAC (6th Lok Sabha)].

Action Taken

The Commtttee's observations have been noted.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F-2/23-77/NS dated 14-11-1979]

Recommendation

The next notification which was also the most crucial one in the series of notifications issued from time to time from 1971 onwards

raising the maturity values of the Post Office recurring deposit accounts, was issued on 29th September, 1976. The Committee are surprised to note that although this amendment was also in the nature of maturity value raising notification (from Rs. 750 to Rs. 760 on an account of Rs. 10 denomination like the previous ones) it was issued in substitution of sub rule (1) of Rule 9 (inferring thereby that it had further replaced sub rule (1) of the notification of 15-1-1971) contrary to the practice followed in both the previous maturity value raising amendments of 30th March, 1974 and 29th July, 1974 which had substituted the original Rule 9 of the Post Office (Recurring Deposits) Rules, 1970 and not sub-rule (1) of the notification of 15th January, 1971.

[S. No. 9 (para 1.92) of Appendix VI to the 112th Report of PAC (6th Lok Sabha]

Action Taken

The Committee's observations have been noted.

[Ministry of Finance (Deptt. of Economic Affrais) O.M. No. F-2/23-77/NS dated 14-11-79]

Recommendations

The enhancement of 29th September, 1976 was made applicable to all accounts opened before 1st October, 1976 but maturing on or after that date and a Table showing clearly the maturity value of 5-year recurrig deposit account at Rs. 760 was also a part of this notification. This notification was circulated to all the Post Offices in the country and taking it at its face value the Post Offices started making payments to all the depositors whose accounts had matured on or after 1st October, 1976. From the information furnished by the Ministry of Finance, the Committee note that it was not the intention of the Government to give the benefit of this enhanced maturitv value to all the depositors but to restrict it, as per the past practice in this regard, to the accounts opened after the date of the previous enhancement, *i.e.* 23rd July, 1974 (when the maturity value was raised to Rs. 750 on a Rs. 10 denomination account). The Committee have no doubt in their mind that the reason for the extension of this un-intended benefit to the depositors was due to utter confusion in the issue of a large number of amendment to the basic rules without co-relating the one with the other. The Committee are not prepared to accept the contention of the Ministry of Finance that they followed two types of procedures in the matter of prescribing the maturity values etc.—one by amending the basic rule itself *i.e.*

Rule 9 of the Recurring Deposit Rules, 1970 and other by issuing a notification in pursuance of that rule and that some of the notifications issued in this fashion had subsisted even though the basic rule itself might have been amended subsequently.

[Sl. No. 10 (para 1.93) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been noted.

[Ministry of Finance (Deptt. of Eco. Affairs) O.M. No. F.2/23-77/NS dated 14-11-79]

Recommendation

In justification the Ministry of Finance have stated that since the 9th July, 1975 Notification specifying revised maturity values in respect of all accounts opened prior to 23rd July, 1974 was not withdrawn or superseded by the Notification of 29th September, 1976 and it continued to subsist even after 1st October, 1976 (the date from which the maturity value was raised to Rs. 760 on an account of Rs. 10 denomination) to apply to the accounts opened prior to 23rd July, 1974, the values of accounts opened before this date continued to be valued even after the issue of the Notification dated 29th September, 1976 and if read together, there was no scope for the type of mistake which had occurred in the present case. The Committee, however, find that the Ministry of Finance has itself admitted that the postal staff who are ultimately to implement these notifications do not generally have expertise similar to that of bank employees and with this background in view it would have been better if the notification dated 29th September, 1976 had also specifically clarified that the accounts opened prior to 23rd July, 1974 should continue to be regulated by the notification of 9th July, 1975.

[Sl. No. 11 (para 1.94) of Appendix VI to the 112th in Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been noted.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. F2/23-77/NS dated 14-11-79]

Recommendations

Apart from the confusion in the issuance of various notifications, the Committee are perturbed to note that no urgency was shown either in the Ministry of Finance or the DGP&T in rectifying the wrong done even after the deficiency had come to their notice well in time. The Committee find that after the issue of the Notification of 29th September, 1976, a further notification was issued on 20th December, 1976, *inter alia* making it effective retrospectively from 1st October, 1976 but restricting the admissibility of the latest enhanced maturity value (of Rs. 760 on an account of Rs. 10 denomination) to accounts opened on or after 23rd July, 1974 but maturing on or after 1st April, 1975. The accounts opened prior to 23rd July, 1974 but maturing or after 1st April, 1975 were entitled only to the maturity values prevailing before the last enhancement (of 29th September, 1976) i.e. Rs. 750 on an account of Rs. 10 denomination. The Notification in question was originated by the National Savings Commissioner, Nagpur, on 4/15th October, 1976 initially to give effect to the accounts kept for the full maturity period and those of accounts extended beyond the date of maturity. However, when the draft notification was referred to the DGP&T by the Ministry of Finance for comments, etc. he pointed out some short comings including that relating to pre-23rd July, 1974 accounts but maturing on or after 1st October, 1976 and returned the draft to the Ministry of Finance on 28th October, 1976 for consideration of the suggestions made by him. It was thus clear that this lacuna had come to the notice of the Ministry of Finance well in time. It is deplorable that even at that stage the importance and urgency of the issue at hand was not at all appreciated by anyone in the Ministries of Finance and Law & Justice or by the National Savings Commissioner, Nagpur, in between whom the drafts of the Notifications had been rotating for further examination and vetting. So-much-so that when the draft was finally approved in the Ministry of Finance on 10th December, 1976, it took further 10 days by that Ministry to get the notification issued on 20th December, 1976. The representative of the Ministry of Finance has admitted during evidence that "the notification in question was dealt with at a level where the importance of it or the necessity to deal with it promptly did not seem to have been realised. I entirely agree that it should have been dealt with on a priority basis. It was dealt with at the level of Under Secretary." The Committee desire that proper procedures should be laid down that in future such costly mistakes do not recur.

[Sl. No. 12(para 1.95) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been carefully noted. The procedure for submission of such cases to the higher officers in the Ministry has been streamlined. The concerned branch and officers have also been instructed to deal with such cases promptly and watch the movement of cases between the Ministry and other authorities concerned so that delays are avoided. The dealing officers have been instructed to evolve a time-frame in each case, in consulation with the next higher officer, for completing all processes of action leading to notification of changes in maturity values, interest rates etc. so that the progress of each case may be kept under constant watch and remedial action taken at appropriate level to eliminate delays at various stages. (Copy of the office order issued in this connection is enclosed).

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. F-2/23-77/NS dated 14-11-79]

No. F.2/23/77-NS

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Deptt. of Economic Affairs)

New Delhi, the 1st August, 1979.

OFFICE ORDER

In paragraph 1.95 of 112th Report of the Public Accounts Committee (1978-79) dealing with paragraph 26 of the Report of the Comptroller and Auditor General of India for the year 1976-77, Union Government (Posts and Telegraph), relating to certain over-payments on Five Year Post Office Recurring Deposit Accounts, the Committee have expressed their concern that no urgency was shown in the Ministry of Finance or the DGP&T in rectifying the wrong done even after the deficiency had come to their notice well in time. The Committee have observed that the importance and urgency of the issue at hand was not at all appreciated by any one in the Ministries of Finance and Law or by the National Savings Commissioner, in between whom the drafts of the notifications had been rotating for further examination and vetting. The Committee have desired that proper procedure should be laid down so that in future such costly mistakes do not recur.

2. The observations of the Committee should be noted carefully by all officers and sections concerned with issue of notifications having financial implications, such as notifications regarding changes

in interest rates and maturity values of small savings schemes etc. It has to be ensured that the work relating to drafting of the notifications and their clearance with the other concerned authorities like the Ministry of Law, Justice and Company Affairs, DGP&T, National Savings Commissioner etc. is pursued vigorously and without any avoidable delay at the various stages. Cases where the papers are held up with other Divisions/Ministries/Organisations should be brought to the notice of the next higher officer for taking suitable action.

3. With a view to keeping a constant watch over the progress of action in such cases and taking remedial steps at the appropriate level whenever necessary, it has been decided that the concerned Branch Officer should miantain a check register. He should evolve a time-frame in each case, in consultation with Director/Deputy Secretary concerned, indicating the time considered necessary for processing the case at various stages/organisations and record the time-frame in the check register. The Branch Officer should watch the progress of the case and bring it to the notice of Director/Deputy Secretary if there is delay in any stage. The check register should be put up to Director/Deputy Secretary on the 1st and 15th of every month for his perusal and submission, where necessary, to JS(B).

4. Whenever such cases are referred to other Divisions/Ministries/Organisations, or the notifications are finally issued to them, they should be sent by name to the concerned officer at the appropriate level and it should be ensured that there is no delay in transit. Where the action is time-bound, a suitable date by which the file has to be returned, should be boldly indicated, keeping in view the time-frame referred to in the proceeding paragraph.

5. Instructions have already been issued to N.S. Branch for submission of such cases in a complete shape to the higher officers, alongwith the guard file of the rules etc. relating to the scheme and a master copy of the relevant rules, duly updated. These instructions are reiterated. The N.S. Branch must ensure that master copy of each set of rules duly updated is maintained at all times. Other Branches, dealing with similar cases, if any, should also follow this procedure.

6. A copy of this office Order may be attached to the check-register mentioned in paragraph 3 above.

7. Whenever there is a change in the Branch Officer or his supervisory officer, these instructions should be brought to the notice of his successor.

8. This Officer Order issued with the approved of JS(B).

Sd/-

(V. LAKSHMINARAYANAN),

Director (Budget).

1. All Sections in the Budget Division including PD Section and CD Cell.

2. Deputy Secretaries, all Under Secretaries and Deputy Directors.

Recommendation

It is also interesting in this connection to note that long before the receipt of the Notification of 20th December, 1976 in the DGP&T, it had been referred to them at the draft stage and in fact it were they who had pointed out some deficiencies in the draft and had also suggested some important modifications including the one relating to pre-23rd July, 1974 accounts. It therefore, could not be claimed at this stage that this Notification had taken them 'by surprise' and hence the delay in issuing it. That Ministry should have kept themselves in readiness to receive the notification any time. That it was not done is a clear lapse on their part. The DGP&T have the net-work of communication system under their control yet no one in that Department had the initiative to think of intimating the Heads of Circles/Post Masters General, Telephonically/Telegraphically or through wireless message about the contents or action points in brief of the Notification. The reply of the Ministry of Communications to this argument is strange still. In a note they have stated that the 'Notification dated 20th December, 1976 was received in the Section in a routine manner. It was not addressed to any particular officer by name or designation with the result that it did not come to the notice of higher officers. Had it come to the notice of higher officers, suitable action to intimate the substance of the Notification by telegraph/telephone to Heads of Circles would have been considered.' This indicates that such needs to be done to effect improvement in the handling of the incoming dak in the Department so that all important and urgent papers are sorted out at a senior level for immediate attention of the next higher officers. The Secretary, Communications, has admitted in evidence that 'In this particular case it was not done, it was a mistake; it should have been done.' He has further admitted that 'there was a delay of 15 to 17 days which may be justified in case of routine matters but not in respect

of an item of this nature where retrospective effect was being given. The routine treatment was not justified.

[Sl. No. 14 (Para 1.97) of Appendix VI to 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee has indicated that much needs to be done to effect improvement in the handling of incoming dak in the Department so that all urgent papers are sorted out at a senior level for immediate attention of the next officer.

After evidence was tendered before the PAC in July/August, 78 on the subject, suitable instructions were issued vide letter No. 52-1/77-SB/IX dated 19th September, 1978 by Secretary P&T Board to all Section of the P&T Directorate for prompt circulating of notifications/orders etc. A copy is attached for perusal.

[Ministry of Communications (P&T Board) O.M. No. 52-1/79-SB. III dated 31-10-1979]

INDIAN POSTS AND TELEGRAPHS DEPARTMENT

(Office of the Director General, Post & Telegraph)

No. 52-1/77-SB Dated at New Delhi-1, 19-9-78.

Subject: Prompt Circulation of Notification/Order etc.

It has been observed recently that a notification of the Ministry of Finance was delayed for circulation to all Heads of Circles etc. The effect of this notification was to reduce amounts repayable before maturity date. As a result of delayed circulation of this Notification, overpayments have been made by post offices all over the country in respect of such account and the case was included in the report of the Comptroller and Auditor General for 1976-77. The PAC which considered this para in its sitting held on 26th July, 1978, took a very serious view of the negligence on the part of the concerned officials for delay in communication of the contents of the notification. The Committee has desired inter-alia that effective steps should be taken to ensure that such lapses do not recur.

2. The Manual of office procedure makes it abundantly clear that the Section Officer should: (i) go through the dak (ii) Separate those receipts/cases which are to be seen by higher officers before they are processed and mark them to such officers, and (iii) mark receipts to the dealing Assistant concerned indicating the urgency

and giving directions regarding line of action to be taken. He should also keep a note in his diary of important receipts etc. requiring prompt action or disposal by a specified date.

If the above instructions had been followed scrupulously by the concerned officers, the delay in circulation of the notification in question would have been avoided and extent of over-payment considerably reduced.

3. The Director General has taken a serious view of these lapses and has desired that the procedures should be tightened up to ensure that such lapses do not recur.

4. With this objective in view, the following instructions are issued for strict compliances:—

(i) All communications received from the Ministry of Finance etc. should be carefully persued by Section Officer/ Accounts Officer/Desk Officer/Asstt. Director General as contained in Manual of Office Procedure indicated in para 2 above.

(ii) Any receipt of important nature should be immediately brought to the notice of Group Officer at the Dak stage.

(iii) All important and urgent receipts/cases should be disposed of promptly. A target date for disposal of such receipts/ castes should be kept by the concerned Sectional Head. It would be his personal responsibility to see that such receipts are disposed of within the stipulated date.

(iv) Communications which are required to be forwarded to the Heads of Circles should be circulated without any delay as per procedure laid down in O.M. No. 40/34/78-GA dated 25th July, 1978.

Sd/-

(K. N. SINGH)

Secretary (P&T Board).

To: All sections of the P&T Dte.

Recommendation

The above is not the end of this episode. The Heads of all the 16 Circles in the country had received this Notification between 10 and 15 January, 1977. But from the date furnished to them by the Ministry of Communications in this regard, the Committee are

surprised to note that it took the Circles, in turn 4 to 60 days to circulate to this Notification to the post offices under them, the earliest having been mailed by the Maharashtra Circle on 14-1-1977 and the last of all by the Karnataka Circle on 9-3-77. Here again the Committee observes that the problem of holidays intervening, the then prevailing arrears of work in the typing and copying branches of some circles and of translation into regional language of the area in which a particular circle is located have been made the reasons for the delay on their part in circulating it to the post offices under them for actual implementation. The Committee are unable to accept the contention. Arrangements for regional translation did exist in each circle. Other hurdles could have been easily overcome. In the Committee's view the enormous difficulties now sought to be projected by the Ministry in this particular case should have been taken care of at the proper time. The fact of the matter is that the importance and implications of this financial order were not given proper care in the DGP&T and the lower formations under them.

[Sl. No. 15 (Para 1.98) of Appendix VI to 112th Report of PAC (6th Lok Sabha)]

Recommendation

The Committee note that some officials in the P&T Directorate have been held responsible for the delay in circulation of the Notification of 20-12-1976 and action against them is in progress. As regards pin pointing of responsibility for further delay in sending these orders on the part of Circle Officers, the Committee find that enquiry in some circles has been completed and the action against the delinquent officers is being taken or is under consideration. In some other circles, matter is still under enquiry. The Committee would urge that enquiry in all the circles should be completed early and the exact nature of action taken against those found responsible intimated to them.

[Sl. No. 16 (Para 1.99) of Appendix VI to 112th Report of PAC (6th Lok Sabha)]

Action Taken

In the recommendation, the Committee urged that enquiry of the Circles into the delay in circulation of the order among the post offices should be completed early and the exact nature of action taken against those found responsible intimated to them.

Circulation of the notification dated 20-12-1976 among post officers suffered delay in the Circles. Detailed enquiries were made in the matter which revealed that 26 officials were *prima facie*

found answerable for the delay. One of them retired before any action could be taken and another died after disciplinary proceedings were initiated but before they could be concluded. One other official was absolved of liability. The nature of the action taken against the remaining 23 officials is as below:

Total No. of Officials	Nature of action taken	
23	(a) Cautioned/warned	6
	(b) Censure	12
	(c) Increment withheld	4
	Total .	23

[Ministry of Communications (P&T Board) O.M. No. 52-1/79-EB/III dated 28-3-80]

Recommendation

The Committee also find that some remedial measures have been decided upon in consultation with the Ministry of Finance and a revised procedure has been adopted for expeditious communication of notifications concerning small savings schemes to post offices with a view to ensuring that notifications reach the post offices before the Notification takes effect. Instructions are also stated to have been issued to the sections dealing with small savings schemes so as to be more cautious in bringing important communications to the notice of the higher officers immediately on recepit at the dak stage. While the Committee would like the Ministry of Finance and the DGP&T to ensure that these instructions are followed in letter and spirit at each level they would also like these Ministries to keep a periodical check through monitoring over the implementation of such financial orders so as to ensure that the instructions contained therein are being followed correctly.

[Sl. No. 17 (Para 1.100) of Appendix VI to 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Posts & Telegraphs Department has issued the undermentioned orders with a view to ensuring that expeditious action is taken on various notifications concerning small savings schemes, issued by the Ministry of Finance so that they are brought to the notice of higher officers immediately at dak stage and also communicated to post offices before the notifications take effect:—

1. DGP&T Circular No. 40-34/78-GA dated 20-7-78.
2. DGP&T Order No. 52-1/77-SB/IX dated 27-7-78.

3. D.O. No. 52-1/77-SB/VIII dated 3-8-78.

4. DGP&T letter No. 52-1/77-SB/VII dated 8-9-78.

5. DGP&T letter No. 52-1/77-SB dated 19-9-78.

Checks have been carried out to ascertain whether the instructions contained in the above orders were actually followed in respect of a few Financial Orders concerning small savings schemes. The result have generally been satisfactory. It shall be ensured that checks are continued at periodical intervals.

[Ministry of Communications (P&T Board) O.M. No. 52-1/79-SB/III dated 31-10-1979]

The Committee's observations have been carefully noted.

[Ministry of Communications (P&T Board) O.M. No. F-2/23-77/NS dated 14-11-79]

Recommendation

The Committee would also like to be informed of the outcome of the enquiries stated to have been initiated by the Circle Heads into the total overpayments made beyond the dates of receipt of orders of 20-12-1976 in the post offices and the action taken as a result thereof recover the excess amounts from the defaulting officials in cases where recoveries from the payees would not be forthcoming.

[Sl. No. 18 Appendix VI (Para 1.101) of Appendix VI to 112th Report of PAC (6th Lok Sabha)]

Action Taken

Heads of Circles have reported that:—

The total amounts overpaid at post offices after receipt of the notification are	—Rs. 672536.50.
The amounts repaid by the payees so far are	—Rs. 320738.25
The amounts already recovered from officials responsible for the overpayments are	—Rs. 24016.65
The amount ordered to be recovered from the officials in fault but the recovery of which being in instalments will be completed only in due course of time, are	Rs. 5790.30
The amounts still to be recovered are This has been seen by the Director of Audit P&T Delhi.	—Rs. 321991.30.

[Ministry of Communications (P&T Board) O.M. No. 52-1/79-SB/III datd 31-10-1979]

Recommendation

Regarding regularisation of other overpayments the Committee find that this matter is under active consideration of the Ministry of Finance and is likely to be finalised shortly. The Committee would like to be informed of the details of the decision taken in this regard.

[Sl. No. 19 (Para 1.102) of Appendix VI to 112th Report of PAC (6th Lok Sabha)]

Action Taken

The overpayments amounted to Rs. 27,94,168.91 spread over about 90,000 accounts all over the country. Of that, an amount of Rs. 8,02,698.15 was recovered either from the recipient depositors or the officials responsible for the overpayments. Recognising that there is hardly any likelihood of further recoveries of the overpayments and that stringent enforcement of recovery may adversely affect the Small Savings movement, the Ministry of Finance in their No. 72/23/77-NS dated 2-6-80 have written off the residuary overpayments amounting to Rs. 19,91,470.76.

[Ministry of Communications (P&T Board) O.M. No. 47/5/76/SB II dated 20-6-80]

Recommendation

So far as the basic cause for loss of Rs. 28 lakhs to the Exchequer is concerned the Committee appreciate that unlike the commercial banks which issue their instructions in simple language which is easy to follow, for small Savings Schemes the notifications have to be issued formally, couched in legal language. Further unlike the banks which manage their work with a smaller number of tables, numerous tables (over 100) have had to be prescribed in respect of small savings schemes for various categories of accounts even under the same schemes, to facilitate the work at the post office counters. Another factor which has complicated matters is the practice followed in the last several years of revising maturity values of existing accounts also while modifying the interest rates, etc. for small savings schemes prospectively taking into account the changes in the interest rate structure announced by the Reserve Bank. Over the years, with the increasing complexity of the Schemes, it has become difficult to operate them through issue of

legal notifications and elaborate tables. Yet as pointed out in the instant case if sufficient care had been taken the mistakes that had occurred would have been avoided.

[Sl. No. 20 (Para 1.103) of Appendix VI to 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Committee's observations have been carefully noted.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. 52-1/79-SB dated 30-11-79]

CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT

NIL

CHAPTER IV

RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee have been given to understand that the Indian Banks Association has issued the ground rules for the banks and has started issuing standard tables for maturity values on certain deposits to be allowed by the banks. The Ministry of Finance have asked the Association to send them regularly copies of their standard tables etc. They hope that this would be fully utilised by the Ministry in coming to a proper and timely decision on the changes taking place in the banking market for the benefit of their small savings schemes. They further note that an Expert Group was set up in May, 1978, among other things, to make a comparative study of the small savings schemes and the schemes of the commercial banks for the mobilisation of savings and to suggest change that might be called for in regard to the former. The Study Group is stated to have since submitted its interim report in which it has, *inter alia*, stated that the present multiplicity of rules and provisions which regulate various small savings is not conducive to efficient customer service and that the rules and provisions should be uniform, easy to understand and simple to operate especially in view of the need to secure wider coverage in the rural areas and unorganised sectors. The final report of the Study Group on these aspects is expected soon. The Committee would like to know the final recommendations of the Study Group and the conclusive action taken thereon by Government.

[Sl. No. 7 (Para 1.90) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

In its final Report, the Expert Group has reiterated that the rules and provisions of the small savings schemes should be uniform, easy to understand and simple to operate. The Group has recommended *vide* extract of para 24 of the Expert Group's final report that a separate exercise may be undertaken in this regard,

taking into account the modifications proposed by it for the schemes. Further action in this regard is indicated against item No. 21 below.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. 2-23/77 NS dated 30-11-79]

Extract of Para 24 of the Expert Group's Final Report on Rules and Procedure

24. The present multiplicity of rules and provisions which regulate various small savings schemes is not conducive to efficient customer service. We feel that the rules and provisions for the schemes suggested by us should be uniform, easy to understand and simple to operate. This will be all the more necessary when with the proposed thrust in rural areas and in the unorganised sectors, the scale of operation increases manifold. We recommend a separate exercise to be undertaken in this regard taking into account the modification proposed by us.

Recommendation

The Committee note that learning from the past experience, the Ministry of Finance has undertaken in coordination with the Reserve Bank of India, an extensive exercise with a view to consider how best the post office (Recurring Deposits) Rules could be simplified which had, indeed, become quite voluminous and difficult to follow in the process of making them elaborate, so as to eliminate need for detailed interest and other calculations on the part of post offices. The Committee further note that the officer of the Reserve Bank of India has since submitted his report on simplification of the rules on Small Savings Schemes. He is stated to have suggested unification and consolidation of the rules relating to general aspects which are common to the various schemes and also revision and simplification of the rules relating to the individual schemes. The Committee expect that in the light of the recommendations made in this report and the final report of the Study Group set up by the Ministry of Finance in May, 1978 to make a comparative study of the Small Savings Schemes and the schemes of commercial banks (para 1.18), discussions with the DGP&T and the Ministry of Law etc. over the scope for simplification of the rules must have been completed. Since the Government itself has shown its anxiety to complete this task expeditiously, the Committee hope that the process of actual simplification of each scheme must have been set in motion by now.

[Sl. No. 21 (Para 1.104) of Appendix VI to the 112th Report of PAC (6th Lok Sabha)]

Action Taken

The Reserve Bank of India who were requested to suggest a suitable officer from their establishment for taking up the work of simplification of rules relating to small savings schemes, on a deputation basis, suggested (5-6-1979) that the State Bank of India may be approached in this regard. Accordingly, the matter was taken up (22-6-1979) with the State Bank of India, who have since forwarded bio-data of some of their officers for being considered for selection for this assignment. The matter is under consideration in the Ministry of Finance. Every effort will be made to appoint a suitable officer for this assignment and complete the work as early as possible.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. F-2/23-77/NS dated 30-11-79]

Further Information

The Reserve Bank of India, who were requested to suggest a suitable officer from their establishment for taking up the work of simplification of rules relating to small saving schemes, on a deputation basis, suggested (5th June, 1979) that the State Bank of India may be approached in this regard. Accordingly, the matter was taken up (22nd June, 1979) with the State Bank of India and pursued with them. An officer of the State Bank of India has since joined the Ministry on 2nd May, 1980 as Officer on Special Duty and he has started the work relating to simplification of rules. Every effort will be made to complete the work as early as possible.

[Ministry of Finance (Department of Economic Affairs) Letter No. F.2/23/77-NS dated 18th August, 1980]

CHAPTER V

RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The role of the Ministry of Communications (DGP&T) in circulating the Notification of 20th December, 1976 to the Heads of Postal Circles for bringing it to the notice of the post offices under them for making payments accordingly, is all the more disenchanting and deplorable. Though the said notification, English and Hindi version totalling 19 pages, was received in the DGP&T on 22nd December, 1976, it took as many as 17 days in getting the stencils (most of which were obtained from the Ministry of Finance in original renewed, preparing sets and despatching it to the Circle Offices on 7th January, 1977. The plea of a few holidays intervening and the official processing the said notification having fallen ill for some days, seems, in the Committee's view, to be an afterthought to cover up unconscionable and otherwise unexplainable delay and carelessness demonstrated by the Directorate in dealing with an important and urgent matter. The effort of the Directorate to explain away the delay to Audit after the finalisation of the Audit Para that all the factors combined and with the maximum effort the notification could be circulated to the Postmasters General on 7th January, 1977 is not appreciable. The Committee feel that had a sense of urgency been shown in the matter, it was possible to circulate the same in 3/4 days. Failure to make alternative arrangements either by detailing the staff on holidays or assigning the work to another official in the event of the dealing official having fallen ill confirms the view point. However, it is consoling to note that the Ministry of Communications, in a subsequent note, have conceded that this, apparently is a lapse and necessary action will be taken against the official responsible.

[Sl. No. 13 (para 1.96) of Appendix VI to 112th Report of PAC (6th Lok Sabha)]

Action Taken

Disciplinary action was initiated against two officials of the P&T Directorate for the delay in the circulation of the notification. A

third official liable for the failure having, in the meantime, been transferred to the Ministry of Petroleum and Chemicals, the matter was brought to the notice of that Ministry and disciplinary action was initiated against him there.

The disciplinary cases are at different stages and will be concluded in due course as early as possible.

[Ministry of Communications (P&T Board) O.M. No. 52-1/79-SB/III dated 5-6-1980]

NEW DELHI;
October 17, 1980
Asvina 25, 1902 (*S*).

CHANDRAJIT YADAV,
Chairman,
Public Accounts Committee.

APPENDIX

CONSOLIDATED STATEMENT OF RECOMMENDATIONS AND OBSERVATIONS

Sl. No.	Para No. of the report	Ministry/Deptt. concerned	Recommendation/Observation
1	1.8	Ministries of Communications (P&T Board) Finance (Department of Economic Affairs)	The Committee are constrained to observe that there has been avoidable delay in completing the task of simplification of rules relating to small savings schemes. To begin with, the Reserve Bank of India was approached by the Ministry of Finance in February 1978 to recommend a suitable officer with banking expertise for undertaking the review of rules relating to these schemes. The officer whose services were made available by the Reserve Bank of India in May 1978 had, in association with an official of the Ministry of Finance, in his report, referred to the multiplicity of the rules and observed that it was not only time-consuming but also cumbersome for the post office counter staff to refer to these rules and that there was every likelihood of misinterpretation and misapplication of rules in the day-to-day work. He had suggested unification and consolidation of the rules relating to general aspects which were

common to the various schemes and also revision and simplification of the rules relating to the individual schemes. Thereafter, at the suggestion of the Reserve Bank, it was only in June 1979, that the Ministry of Finance approached the State Bank of India for suggesting a suitable officer for taking up the work of simplification of rules relating to these schemes. It has been stated that an officer of the State Bank of India joined the Ministry of Finance on 2 May, 1980 and has started the work of simplification of rules. The Committee note that more than two and half years have elapsed since the matter was initiated in February 1978, but nothing tangible has come out so far. Now that an officer of the State Bank of India has been appointed on special duty, the Committee would like that the work of simplification of these rules is completed without further loss of time so as to avoid recurrence of such costly lapses in future.

GMGIPMRND—LS II—2011 LS—3-12-80—1055.